UNITED
NATIONS

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Economic and Social
Council

Distr.
GENERAL

E/CN.4/Sub.2/1999/NGO/21
28 June 1999

ENGLISH
Original: SPANISH

COMMISSION ON HUMAN RIGHTS
Sub-Commission on Prevention of
Discrimination and Protection
of Minorities
Fifty-first session
Item 4 (a) of the provisional agenda

THE REALIZATION OF ECONOMIC, SOCIAL AND CULTURAL RIGHTS

THE INTERNATIONAL ECONOMIC ORDER AND THE PROMOTION OF HUMAN RIGHTS

Written statement submitted by the American Association of Jurists, a non-governmental organization in special consultative status

The Secretary-General has received the following written statement, which is circulated in accordance with Economic and Social Council resolution 1996/31.

[17 June 1999]

GE.99-13910 (E)

THE REALIZATION OF ECONOMIC, SOCIAL AND CULTURAL RIGHTS

The international economic order and the promotion of human rights

1. In 1948 the United States, at the height of its power as the sole major beneficiary of the Second World War, imposed its views at Bretton Woods. There was to be a system of fixed exchange rates (with a margin of 1 per cent either side for the parities established between currencies) and with parities established in relation to gold or the United States dollar (article IV of the Articles of Agreement of the International Monetary Fund before the 1978 amendment). Instead of an international bank or clearing house, as Keynes had proposed at Bretton Woods, a fund was established in which each member country deposits a quota, partly in gold and partly in national currency. A member country in financial difficulties is entitled to receive without conditions an amount in various currencies equivalent to its gold quota. To obtain a larger sum it must comply with the conditions laid down by the Fund in the fields of economic, monetary and budgetary policy.

2. This is in practice how the dollar became the institutionalized international currency. All countries were forced to accumulate reserves in dollars to deal with fluctuations in their respective currencies arising from balance-of-payments situations. Under this system the United States Federal Reserve Bank does not need to defend the dollar ("a dollar is always a dollar"), since the central banks of the other countries have to defend it in order to maintain the parities of their own currencies vis-à-vis the dollar.

3. "The Central Bank of the United States does not have to defend the exchange rate of the dollar; the others do so in its place. Is this still the case in the event of a United States balance-of-payments deficit? Certainly. Even if the deficit is substantial? Again, certainly. Even if there is no limit on the deficit? Yet again, certainly. What happens if the United States is in deficit? First, it pays its creditors in dollars, while other countries generally cannot pay with their national currencies. But this is not the most important consideration. If the creditor demands payment in marks, the United States Bank will sell dollars for marks. What matters is that the dollars used to pay the deficit will affect the exchange rates between dollars and marks, dollars and yens, dollars and francs, etc. That pressure will push the rate of the dollar below the official parity, and when the level is reached at which the central bank concerned is required to intervene, it will buy dollars with its national currency. There is literally no limit on the United States deficit. By convention and unwritten rule the dollars issued to finance the deficit must be purchased at a fixed exchange rate by the central banks of the countries which have surpluses vis-à-vis the United States." 1/

4. Thus the Bretton Woods system established an exorbitant privilege favouring the United States in the field of international payments; in practice, it meant that the rest of the world had to finance the United States budgetary deficit. "The creation of dollars serves United States economic policy without regard for its impact on international relations." 2/ In 1992 the United States had a net indebtedness of 521 billion dollars and a gross indebtedness of over 2.5 trillion (the total amount of dollars transferred to non-residents). This figure corresponds to the amount of international

currency created by the United States, which between 1978 and 1992 increased at an annual rate of 14 per cent. 3/ "The United States imports more than it exports because it consumes more than it produces and spends money it has not earned ... this is how the richest country feeds on the savings of others, including those of developing countries when the latter manage to reimburse part of their debts." 4/

5. This was the root cause of a growing turbulence in the international monetary system which was institutionally recognized in 1975 with the abandonment of the system of fixed exchange rates (amendment of article IV of the IMF Articles of Agreement, which has been in force since 1978), a situation which a specialist economist defined as follows: "Your can do anything you like provided that you notify IMF headquarters in writing" (Pascallon, quoted by Lelart). In other words, a principle designed to maintain order in the monetary system (the system of fixed exchange rates) was abandoned; but in practice the dollar remained the international currency. Thus the whole of the rest of the world continued to subsidize the United States economy, since the central banks of the other countries continued to intervene to avoid a fall in the dollar rate. Admittedly, the effectiveness of interventions by central banks is steadily decreasing, since few of them can handle the enormous sums which flood into international financial markets without warning to speculate on national currencies.

6. In its annual report published in September 1995 UNCTAD referred to "systemic risks of financial derivatives" and "their potential for causing a crisis that would lead to a breakdown in the financial system". 5/ The G7 are aware of this danger and have therefore decided to assign new functions to the IMF to enable it to control (or attempt to control) international financial movements. This is in fact a further step towards the concentration of power within an exclusive club of the rich.

7. The abandonment of the fixed exchange rate system, together with the abandonment of the convertibility of the dollar into gold decided on by the United States in 1971, reflect the weakening of the absolute hegemony of that country in the capitalist world and the emergence and consolidation of the Japanese and Western European poles, on the one hand, and the strengthening of the trend towards economic and financial globalization, on the other, with three principal centres - Asia, Western Europe and the United States - and peripheral units of varying status - integrated with the centre, exploited as colonies or simply left to their own devices. 6/

8. The decision to create the Euro opens the possibility of ending the worldwide hegemony of the dollar, since the European Union has an economic and demographic weight comparable to that of the United States and has some advantages, such as a higher gross national rate of saving. However, whether Europe's leaders have the political will to make Europe a genuinely autonomous power remains to be seen.

Notes

1/ Jean Denizet, "La naissance du système central", Crise persistante du système monétaire international, Cahiers français de la Documentation française, No. 198, October-December 1980, p. 6.

2/ Michel Lelart, Le système monétaire international, Editions La Découverte, 1993, p. 55.

3/ Lelart, op. cit., pp. 95-97.

4/ Lelart, op. cit., p. 97.

5/ UNCTAD, Trade and Development Report, 1995: Overview.

6/ François Chesnais, La mondialisation du capital, Edit. Syros, 1994, pp. 25 ff.